

# MONTHLY REVENUE REPORT

## February 2008

The revenue collected from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$966.9 million in February, which was down 2.4% from last year's level. The only major taxes that posted increases in collections in February were the income and sales taxes, but these gains were more than offset by declines in the use, single business, insurance, State education, real estate transfer, and casino taxes. Based on the projected weakness in economic activity, along with the historical trend in monthly tax collections, tax collections in February were expected to be down from last year's level; however, February tax collections did not decline as much as was projected and in fact topped the estimated level by about \$10.0 million.

Through February, FY 2007-08 tax collections are up 3.3%. In January, fiscal year-to-date tax collections were about \$40.0 million below the consensus revenue estimate and, based on February's data, fiscal year-to-date tax collections are now about \$30.0 million below the estimated level. Given that \$6.5 billion has been collected in tax revenue so far in FY 2007-08, being down \$30.0 million represents a very small deviation from the estimate.

Income tax collections in February totaled \$102.2 million, which was 14.8% above last year's level. Much of this increase reflects the increase in the tax rate, which is now 4.35% compared with 3.9% last year. Adjusting for the tax rate increase, income tax collections were still up 3.4% in February. Gross income tax collections (withholding, quarterly, and annual payments) were up 14.8% in February, largely due to a 14.6% increase in withholding payments. Refunds paid to taxpayers totaled \$494.4 million, which was 17.9% above last year's level. On a fiscal year-to-date basis, income tax revenue is up 10.5%.

February sales tax receipts totaled \$498.7 million, which was up 6.2% from the year-ago level. This gain helped offset the 11.5% decline that occurred in January. February sales tax collections from motor vehicle sales were up 5.4% and from all other taxable retail sales were up 6.3%. So far in FY 2007-08, sales tax revenue is up 3.1%.

Single business tax revenue in February totaled \$69.6 million, which was 36.2% below last year's level. While the single business tax was repealed effective December 31, 2007, the revenue collected in February primarily reflects liabilities incurred during the fourth quarter of 2007. The relatively large decline in February collections was due to an increase in refund payments to taxpayers compared with last year, the weak economy, and the normal volatility in monthly single business tax receipts. On a fiscal year-to-date basis, single business tax collections are down 9.9%. February also marked the first month that revenue was collected from the new Michigan business tax, with collections totaling \$4.8 million.

Among some of the other major taxes, tobacco tax revenue was down 4.3% in February, real estate transfer tax collections were down 25.3%, casino tax receipts were down 19.7%, and oil and gas severance tax revenue was up 67.5%.

So far in FY 2007-08, School Aid Fund earmarked tax revenue is doing slightly better than expected while General Fund earmarked tax revenue is down modestly from the forecasted level. Compared with the estimated monthly breakdowns of the consensus revenue estimates for FY 2007-08, School Aid Fund tax revenue is up about \$20.0 million from the estimated level so far in FY 2007-08 and General Fund tax revenue is down about \$50.0 million. School Aid Fund revenue is up primarily due to the fact that sales tax collections, of which 73.3% goes to the School Aid Fund, are coming in stronger than expected. General Fund revenue is down from the estimated level primarily due to the weakness in single business tax revenue, all of which is earmarked to the General Fund.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for February 2008. Also presented are the revised consensus revenue estimates for FY 2007-08, which were adopted at the January 11, 2008, Consensus Revenue Estimating Conference.

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<p style="text-align: center;"><b>MICHIGAN REVENUE UPDATE</b>  <b>FEBRUARY 2008</b>  (dollars in millions)</p>
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Type of Revenue	February Collections		FY 2007-08 to Date <sup>(2)</sup>		FY 2007-08 Estimate <sup>(3)</sup>	
	Total <sup>(1)</sup>	% Change From Year Ago	Total <sup>(1)</sup>	% Change From Year Ago	Total <sup>(1)</sup>	% Change From FY 2006-07
Gross Income Tax	\$596.6	14.8%	\$2,867.5	10.7%	\$8,910.5	9.6%
Refunds	(494.4)	17.9	(592.9)	11.6	(1,828.6)	8.4
Net Income Tax	102.2	2.2	2,274.6	10.5	7,081.9	9.9
Sales Tax	498.7	6.2	2,212.4	3.1	6,529.8	(0.3)
Motor Vehicles	49.1	5.4	201.7	0.5	---	---
All Other Sales Tax	449.6	6.3	2,010.7	3.4	---	---
Use Tax	99.9	(6.5)	427.1	(5.6)	1,386.0	0.4
Tobacco Taxes	85.0	(4.3)	346.3	(6.4)	1,106.0	(2.1)
Single Business Tax	69.6	(36.2)	447.4	(9.9)	638.0	(64.9)
Michigan Business Tax	4.8	---	4.8	---	1,884.3	---
Insurance Tax	25.3	1.6	80.7	1.8	244.0	9.0
State Education Property Tax	24.8	(21.3)	429.5	7.5	2,071.2	(0.5)
Real Estate Transfer Tax	16.5	(25.3)	64.8	(18.9)	211.0	(11.2)
Casino Wagering Tax <sup>(4)</sup>	10.2	(19.7)	57.9	(13.7)	135.3	(15.1)
Oil & Gas Severance Tax	6.7	67.5	27.0	32.4	72.0	0.0
Other Taxes <sup>(5)</sup>	23.2	10.5	138.6	4.4	378.5	(19.5)
Total	\$966.9	(2.4)%	\$6,511.1	3.3%	\$21,738.0	5.7%
<b>Addendum:</b>						
Gross Lottery Sales <sup>(4)</sup>	\$251.3	33.2%	\$1,003.0	7.8%	\$2,225.0	0.1%
Net to School Aid Fund <sup>(4)</sup>	\$ 80.4	26.7%	\$ 319.7	7.0%	\$ 743.0	(0.8)%

1) Total collections are unadjusted cash collections unless otherwise noted.

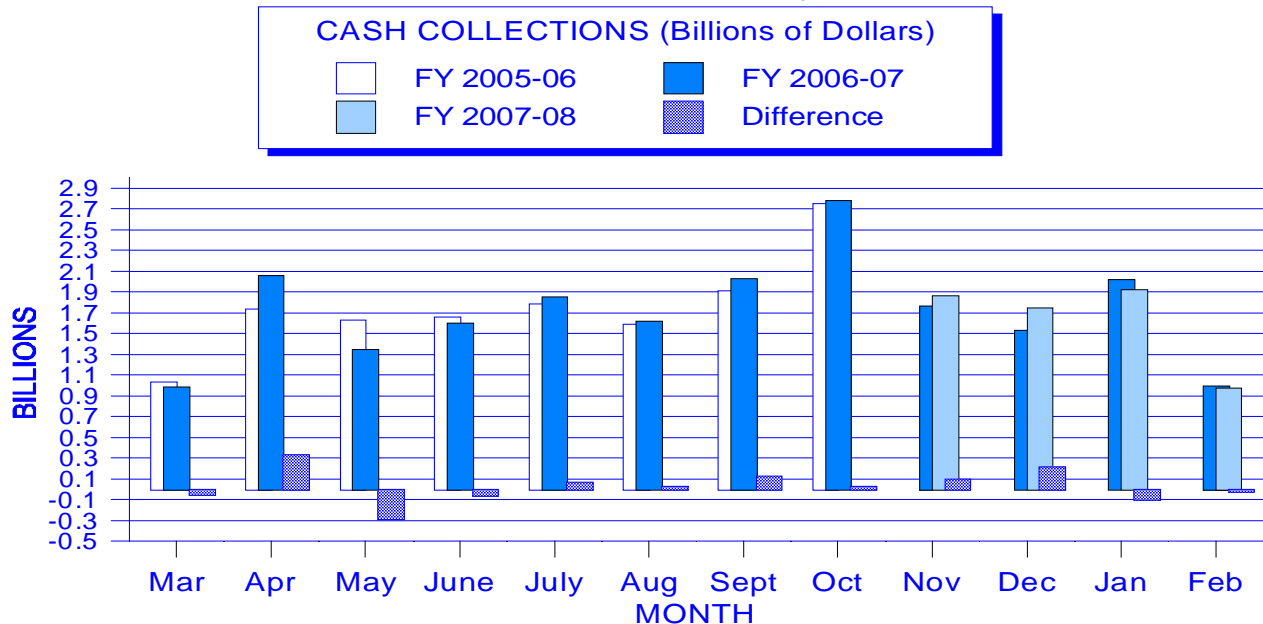
2) FY 2007-08 year-to-date collections begin with November 2007 collections to reflect accrual accounting.

3) Consensus revenue estimates adopted at the January 11, 2008, Consensus Revenue Estimating Conference.

4) Lottery and casino revenue is not accrued, so FY 2007-08 collections will include October 2007 to September 2008.

5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes\*  
March 2006 to February 2008



\*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.